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GOED audit mostly positive, reveals minor concerns

By Jasen Lee , Deseret News
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Val Hale speaks after being named as the director of the Governor's Office of Economic Development in the Gold Room of the Utah State Capitol, Tuesday, July 29, 2014. (Michelle Tessier, Deseret News)

SALT LAKE CITY — An audit of the Governor's Office of Economic Development shows the agency appears to be doing its job effectively.

The report was performed by an independent Salt Lake City-based auditing firm, Tanner LLC, and was requested by leaders of the previous GOED administration headed by Spencer Eccles.

New GOED Executive Director Val Hale, who took over in late July, said the agency hoped to determine whether it was performing its duties in an appropriate fashion and what changes could be made to improve its programs.

“(The previous administration) wanted to confirm that what they were doing was right,” Hale said.

There was also some concern about a state audit due to be released next week, he added. That audit is expected to be a bit less flattering.

Having already reviewed that report, Hale said, the findings of the state audit would be “a little bit different” from the Tanner report. However, Hale said he is confident that GOED is conducting its business in an appropriate manner.

“This audit is reflective of our program and how it’s working,” he said.

GOED administers programs based around industries or “economic clusters” that demonstrate the best potential for development. Among other duties, the GOED board of directors reviews and issues Economic Development Tax Increment Finance, or EDTIF, incentives aimed at business recruitment that expands economic and employment development across the state.

“We need to constantly look at what we need to tweak and where we need to go to remain competitive in a very competitive field,” Hale explained. “Our team, along with the GOED board (of directors), will be continually assessing the program and how it's doing and making recommendations to the Legislature as to how we can continue to improve and bring the best jobs to Utah.”

Kent Bowman, partner with Tanner LLC, said there were no substantive findings with the administration and reporting of the EDTIF program. However, four minor issues were raised — each with an impact of less than 1 percent — that essentially were no more of an impact than rounding, he said.

In presenting the audit findings to the GOED board Thursday, Bowman said the agency appears to be overly conservative by not including new jobs that are created and filled by contracted employees in its reporting. The approach a company chooses to administer its human resources function — direct employees or contracted employees — has no impact on the efficacy of the EDTIF program, he said.

Auditors also found that GOED underreported jobs in the annual report by 0.75 percent, the outstanding EDTIF commitment by .007 percent and the committed balance for general fund cash rebates by 0.1 percent of total commitments.

“Our ultimate results were that there was nothing substantive in a negative way,” Bowman explained.

Meanwhile, Oregon-based Traeger Pellet Grills announced it would expand its Utah County operation to meet increased demand. The company designs, markets and distributes wood pellet grills across the U.S. and Canada.

Through and agreement with the state, Traeger has indicated the company would be creating 164 new jobs over the next seven years with total wages, including medical benefits, expected to exceed 125 percent of the county average wage.

The projected new state wages over the life of the agreement are expected to be about $44.6 million, with projected new state tax revenues estimated to be more than $2.5 million over seven years.

As part the contract with Traeger, the GOED board approved up to a maximum tax credit of $503,537 in the form of a post-performance Economic Development Tax Increment Finance incentive, which is 20 percent of the new state taxes the company will pay over the seven-year life of the agreement.

Each year as Traeger meets the criteria in its contract with the state, the company would earn a portion of the total tax credit incentive.

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